

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The John Thomas Dye School (JTD or School)	Amount Requested:	Not to exceed \$14,500,000
Applicant Description:	A California non-profit corporation operating an independent elementary school.	Date of Board Meeting:	June 23, 2009
		Type of Issue:	New Issue
		Resolution Number:	09-23
Project Site:	11414, 11415 and 11364 Chalon Road, Los Angeles, CA	Prepared by: Paula Connors and Andrea Kennedy	
Project Description:	The project (Project) involves financing the construction and acquisition of property located at 11414, 11415 and 11364 Chalon Road, Los Angeles, CA to include: (1) two 1,000 square foot buildings for administrative offices, conference rooms, and faculty workrooms; (2) a 15,000 square foot academic center with classrooms and art, music and science labs for grades 5 and 6; and (3) a parking structure with over 100 parking spaces.		
Uses of Bond Proceeds:	Loan proceeds will be used to pay the costs of the Project and issuance costs.		
Public Benefits:	The School seeks to sustain and enhance an educational environment where students may reach their highest potential intellectually, artistically and physically through a strong college preparatory curriculum emphasizing the importance of reading, writing, computation, communication, critical thinking and problem-solving skills. The School estimates that five additional teachers and support personnel would be added to accommodate the increased enrollment. Approximately \$500,000 in tuition remission and scholarships are issued annually and the School underwrites four buses to transport students from throughout the greater Los Angeles area.		
Financing Structure:			
Type of Issue:		Privately placed fixed-rate loan.	
Tax Status:		Tax-exempt 501(c)(3) loan.	
Term:		Not to exceed 12 years.	
Credit Rating:		None	
Est. Sources of Funds:		Est. Uses of Funds:	
Par amount of the bonds	\$14,500,000	Project Costs	\$14,100,000
Equity contribution, Capital Campaign	5,500,000	A&E, FFE	5,500,000
		Costs of Issuance	400,000
TOTAL SOURCES	\$20,000,000	TOTAL USES	\$20,000,000
Financing Team:			
Bond and Disclosure Counsel:	Kutak Rock LLP		
Purchaser:	California Bank & Trust		
Placement Agent/Advisor	Zion's First National Bank		
Staff Recommendation:			
Staff recommends approval of Resolution 09-23 for an amount not to exceed \$14,500,000 for The John Thomas Dye School.			

BACKGROUND AND HISTORY

The John Thomas Dye School (JTD or School) was established in February 1929 as privately-owned Brentwood Town and Country Day School, by Cathryn and John Dye. The School consisted of a large living room for classrooms and morning assembly, a large playing area, and army cots for naps.

In 1941 the Dyes purchased 155 acres on a horseshoe-shaped ridge in Bel Air with the intention of building a newer, larger school. The project ultimately was downsized to 11 acres due to legal and financial constraints, and the new school opened February 1, 1949 with 65 students.

In 1951, the Dyes relinquished private ownership and the school was converted to nonprofit status, governed by a Board of Trustees. Major additions were completed in 1952, 1954, and 1957. In 1959 the school was renamed The John Thomas Dye School in memory of the only child of the Dyes, who died during World War II.

In November 1961, a major brush fire destroyed the School and classes were held in a nearby church for the remainder of the year. Within six months, the School was rebuilt using the original plans. During the period of 1978 through 1989, the School added a computer program, as well as a gymnasium, library and art studio. Science, music, and computer classrooms, and renovations to John Thomas Dye Hall were completed in 1992.

In response to recommendations from the accreditation reports of the Western Association of Schools and Colleges and the California Association of Independent Schools, the School's Board of Trustees developed a Master Plan to guide the School's next phase of growth. In formulating the plan, School faculty identified a vital need for more learning space in order to successfully implement modern teaching methods such as interactive and small group instruction. The plan's design includes a significant increase in on-site parking, adding 100 new spaces to the campus and reducing the current need for street parking. These new plans have been designed to complement the residential neighborhood and to maintain the existing character of the campus.

The School's curriculum comprises the following:

- Lower School consists of grades Kindergarten through 3rd, with a core curriculum of language arts, math and social studies.
- Upper School consists of grades 4th through 6th, with a core curriculum comprised of language arts, social studies, math and science, as well as an athletic program that combines physical education with interscholastic team sports.
- Specialist classes offered are Art, Library, Music, Physical Education, Reading, K-3 Science, and Technology.

Each grade level participates in age appropriate community service projects that address a range of social issues. Each student keeps a service learning journal from Kindergarten through sixth grade. These journals give the students an opportunity to record and reflect on their service experiences.

Current enrollment is 320 students. The proposed project will increase capacity to 336 students. The School is an accredited member of several academic organizations including: the National Association of Independent Schools, the California Association of Independent Schools, and the Western Association of Schools and Colleges. The School has 57 employees, and anticipates adding five more teachers and support staff at such time enrollment increases as a result of the Project.

Tuition for the 2008-2009 school year is \$20,800. Financial aid is offered through The Dye Scholarship Foundation which is funded in part by a \$2,000 new student fee paid at initial enrollment. Approximately \$500,000 in tuition remission and scholarships are provided to approximately 25 students annually and the School underwrites the cost of four buses for students residing in the Lennox-Los Angeles Airport area.

The School is committed to being a diverse and inclusive community. The School does not discriminate on the basis of race, color, creed, national or ethnic origin, age, religion, gender, sexual orientation or disability.

Raymond R. Michaud, Jr., the School's headmaster for almost 30 years, is dedicated to proactive outreach demonstrated by his involvement as a founding member and Trustee Emeritus of The Alliance (The Independent School Alliance for Minority Affairs in Southern California) a coalition of 18 independent schools working proactively to bring the opportunities of independent schools to underrepresented students. The Alliance has placed and financially supported over 1,500 students in member schools with impressive results: all graduating Alliance seniors have enrolled in college.

GOVERNANCE AND MANAGEMENT

The Board of Trustees are made up of 18 elected members who serve three year terms.

BOARD OF TRUSTEES	
C.Dan Ewell	Chairman of the Board and President
Ann M. Hollister	Vice President
E. Allen Rodriguez	Treasurer
Raymond R. Michaud, Jr.	Secretary – Headmaster
Javier F. Arango	Member
Catherine F. Beyer	Member
Sean Burton	Member
William S. Calvert	Member
Judy Copses	Member
Aimee Dorr	Member
Quincy Houghton	Member
Deborah Krakow	Member
Cara Natterson	Member
Greg Penske	Member
David Schindler	Member
William A. Shaw	Member
Wendy Wachtell	Member
Sally Weil	Member
Debra Wong Yang	Member
Elizabeth W. Shoemaker	Parents Association President
Robert E. Suppelsa	CFO/Business Manager

PROJECT DESCRIPTION

Proceeds will be used to finance the following three phases (Project) (See Appendix A–Campus Pictures):

- Phase 1: This phase consists of two separate 1,000 square foot structures to ultimately house administrative offices for Development, Admissions and the School Psychologist. Construction will begin June 2009 and is expected to be completed by January 2010. Once completed, these structures will temporarily house grades 5 and 6 until the Phase 2 Academic Center is constructed.
- Phase 2: Academic Center. This phase will include seven classrooms each with related small group breakout rooms, as well as teacher preparation areas for students in grades 5 and 6. In addition the 15,000 square foot Academic Center will house labs for art, music and science. Construction will begin February 2010 and is expected to be completed by December 2010.
- Phase 3: Parking Structure. This phase will add over 100 parking spaces, alleviating on-street parking and increasing safety on public streets in a crowded residential area. Construction will begin February 2010 and is expected to be completed by December 2010. The parking structure was a requirement of the recently approved conditional use permit.

Additional site improvements will include retaining walls, conservation landscaping, and playing field repair.

The Project is the cornerstone of a complete rebuilding of the School's structures, some of which date from the 1960's and which have been periodically renovated to accommodate the growing enrollment and expanded curriculum. The Project will increase functionality and space utilization. Parking is so limited for employees that the School currently rents parking spaces at nearby Jackie Robinson Stadium and the Glendale Galleria shopping center, and provides shuttle service to the School. The option of relocating and constructing the School would be infeasible from a cost standpoint. The Project is being constructed on property owned free and clear by the School. The Project has received a conditional use permit from the City of Los Angeles.

The School will utilize the City of Los Angeles Greenhouse Building Ordinance standards. For example, the 5,000 square foot roof of the academic center building will be planted with native plant species. A major retaining wall will be made from fly ash, a construction waste product.

FINANCING STRUCTURE

The financing has received final credit approval from California Bank & Trust and the Borrower reports that the equity contribution in the amount of \$5,500,000 has been raised through a capital campaign. This financing was structured to take advantage of the recently enacted federal economic stimulus legislation, the American Recovery and Reinvestment Act (ARRA). ARRA increases the pool of potential investors able to purchase the bonds of entities, such as The John Thomas Dye School, by removing limits to the purchase of these bonds by specific kinds of financial institutions.

Upon approval the I-Bank will obtain a tax-exempt loan in an amount not to exceed \$14,500,000 (Issuer Loan) from California Bank & Trust (Lender), a Qualified Institutional Buyer (QIB) as defined in Section 144(A) of the Securities Act of 1933 (Act), as amended, and will loan the proceeds from the Issuer Loan to the Borrower (Loan). The I-Bank will assign the payments due under the Loan pursuant to a Loan Agreement to the Lender to satisfy the I-Bank's obligations under the Issuer Loan. Repayment of the Issuer Loan will be made solely from revenues to be received by the Lender (as assignee of the I-Bank) from the Borrower's payments under the Loan.

The Lender will sign a Sophisticated Investor Letter (Letter) at closing certifying, among other things, that (i) it is a QIB as defined in Rule 501(a) under the Act, as appropriate; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Loan and that it is able to bear the economic risks of such investment; and (iii) it will not transfer the Loan, except to one of its Affiliates or to another QIB signing a Letter.

In no event shall the Loan constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Loan except for the I-Bank. The Loan shall constitute a special obligation of the I-Bank, payable solely from revenues provided for in the loan agreement between the I-Bank and The John Thomas Dye School.

PUBLIC BENEFITS

The School estimates that five additional teachers and support personnel will be added to accommodate the increased enrollment expected as a result of the Project.

The School will utilize the “green” construction and building standards of the City of Los Angeles.

The Project is expected to generate approximately \$20 million direct and indirect in economic benefit in the Los Angeles area, given the 18 month construction timeline.

In addition to the direct financial aid (\$500,000 per year) and school-financed student transportation, the School supports and sponsors community service programs including food and clothing programs, and direct support of community based organizations.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: Building permits are required and have been obtained.
TEFRA	
Date of TEFRA	June 18, 2009
Publications	<i>The Sacramento Bee</i> <i>Metropolitan News-Enterprise</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. The Project is in the State of California. 2. JTD is capable of meeting its obligations incurred under the proposed loan agreement, and, in particular as to its loan repayment obligations which secure the loan, based upon the Purchaser's commitment to purchase the loan. Payments to be made by JTD to the I-Bank under the proposed loan agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments on the loan. 3. The proposed financing is appropriate for the Project. 4. The Project is consistent with any existing local or regional comprehensive plans.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution 09-23, for an amount not to exceed \$14,500,000 for The John Thomas Dye School.

APPENDIX A–Campus Pictures

Locations of the 3 Phases of the Project





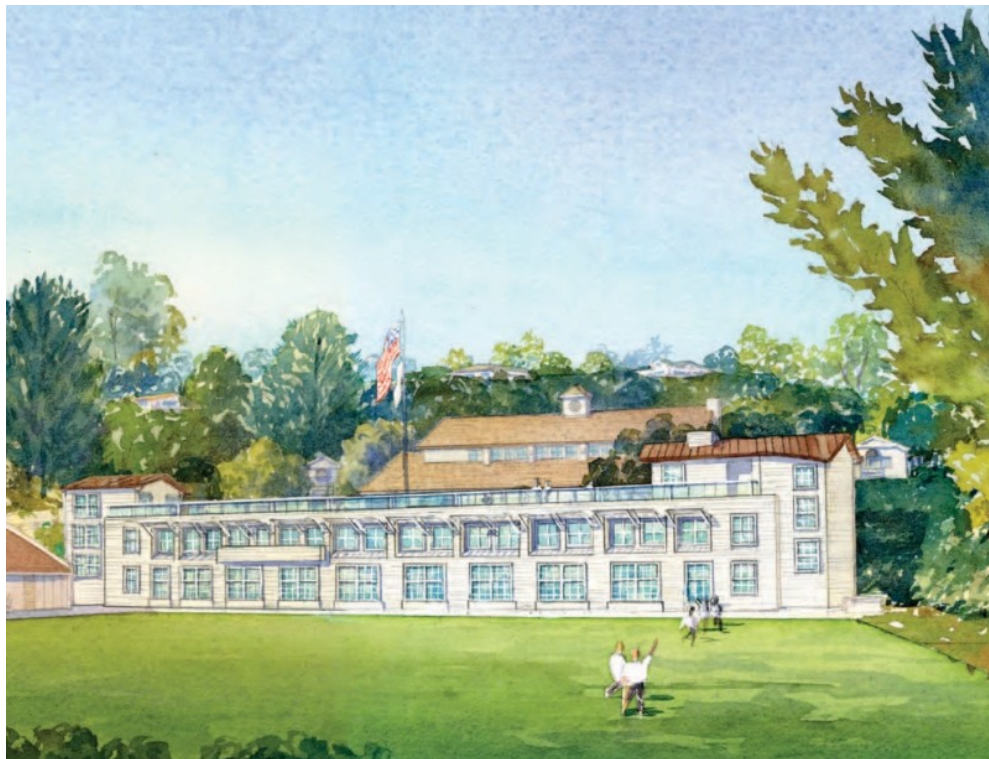
Phase 1 site: Proposed location of new wing. East and west wings (pavilions) to be located on each side of an existing administrative building.



Artist rendering of one of the pavilions to be constructed.



Phase 2 Site: demolition and construction of new two-story 15,000 square foot academic center.



Artist rendering of Academic Center.



Phase 3 site: Removal of inadequate parking lot and construction of three-tier, below street grade parking structure.



Artist rendering of entrance to Parking and parking structure.



Artist rendering of canyon view of parking structure.